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**Act No. 72 (H. 471). An act relating to technical and administrative changes to Vermont's tax laws**

**Subjects: Sales and use tax; use value appraisal; property transfer tax; meals and rooms tax; personal income tax; property valuation**

This act makes multiple technical and administrative changes to Vermont's tax laws, including:

- conforming to the federal income and estate tax statutes in effect on December 31, 2022 for taxable years beginning on and after January 1, 2022;
- clarifying the sales and use tax and meals and use treatment of alcoholic beverages that are produced or manufactured by a licensed restaurant or operator and sold in sealed containers for consumption off premises;
- adding a requirement that meals and rooms tax must be shown to have been paid back to a purchaser before an operator may request a refund of meals and rooms tax paid from the Vermont Department of Taxes, and clarifying that purchasers are authorized to request a refund from the Department;
- adding a requirement that if the Commissioner of Taxes determines local option tax was erroneously collected in a town without a local option tax, the Commissioner must either refund the over-collected tax to the purchaser or operator or, if the purchaser cannot reasonably be determined, deposit the over-collected local option tax as required for State sales and use tax (to Education Fund) or State meals and rooms tax (Education Fund, General Fund, Clean Water Fund);
- extending the sunset of the sales and use tax exemption for advanced wood boilers by one year, from July 1, 2023 until July 1, 2024;
- repealing the Computer Assisted Property Tax Administration Program (CAPTAP), associated per parcel fees, special fund, and any reference to CAPTAP in statute;
- allowing the Director of Property Valuation and Review to communicate current use notices by means other than mail;
- creating a land use change tax exemption for land owned or acquired by a Native American tribe or a nonprofit organization organized for the tribe's benefit and controlled by the tribe that qualifies for a property tax exemption;
- creating a property transfer tax and clean water surcharge exemption for transfers of property between related 501(c)(3) nonprofit organizations;
- removing the requirement that child and dependent care be provided in Vermont to be eligible for a Vermont Child and Dependent Care Tax Credit;
- allowing individuals without tax identification numbers to claim the Vermont Earned Income Tax Credit and the Vermont Child Tax Credit and requiring the

Commissioner of Taxes to set up a process for individuals without tax identification numbers to claim the credits;

- requiring the Commissioner of Taxes to set up a program to make advance quarterly payments of half of the Vermont Child Tax Credit when federal legal action excludes recurring refundable State tax credits from federal benefit determinations;
- correcting the composite payment rate for S corporations, partnerships, and limited liability companies with nonresident members from the middle marginal personal income tax rate to the second-highest personal income tax rate;
- allowing the Vermont Housing Finance Agency (VHFA) to renew certificates of exemption for qualified rent-restricted residential rental units every 10 years if VFHA finds that the property continues to meet the exemption requirements;
- extending the homestead property tax credit claim filing deadline from a final date of October 15 to March 15 of the following calendar year; and
- regarding tax increment financing (TIF) districts:
  - adding to the definition of “improvements” by allowing a municipality to use the proceeds of debt to pay for debt service interest payments for up to two years from the date the district incurs its first debt;
  - allowing for a municipality to use bond anticipation notes provided that they are not considered a first incurrence of debt;
  - requiring that no adjustments be made to a TIF district after the TIF district plan has been approved;
  - addressing how to handle decrement in a TIF district;
  - clarifying that increment is held apart regardless of whether the assessed value exceeds the OTV;
  - requiring that a municipality remit not less than the aggregate tax due on the OTV each year to the Ed Fund;
  - clarifying that for a municipality with a TIF district and a tax stabilization agreement that the municipal and education property tax increment for the properties in the TIF district shall be calculated based on the assessed value of the properties and not the stabilized value;
  - removing the authority for the Emergency Board to approve a TIF district when the General Assembly is not in session;
  - extending authority of the City of Barre to incur indebtedness for its TIF district to March 31, 2026 and authority to retain increment until June 30, 2039; and
  - extending authority of Town of Hartford to incur indebtedness for its TIF district to March 31, 2026 and authority to retain increment until June 30, 2036.

This act requires two reports to the General Assembly. First, this act directs the Vermont Department of Taxes to submit a report by January 15, 2024 regarding refund notices to purchasers who overpaid sales and use tax, meals and rooms tax, or local option tax. Second, this act directs the Legislative Joint Fiscal Office to submit a report or an issue brief, or to contract with a consultant to perform the research and draft the

report, by January 15, 2024 on financing public infrastructure improvements in Vermont municipalities.

This act also makes numerous changes regarding the Vermont Bond Bank, the Vermont Employment Growth Incentive (VEGI), Workers' Compensation, and Unemployment Insurance. With regard to the Bond Bank, this act amends the Bond Bank's enabling chapter to expand the types of financing arrangements the Bank is authorized to make to allow different forms of loans to be made to municipalities for energy efficiency and renewable infrastructure projects. This act also makes global changes throughout Bond Bank statute to change name of Bank from the "Municipal Bond Bank" to the "Vermont Bond Bank."

With regard to the Vermont Employment Growth Incentive (VEGI), this act extends the sunset for the Vermont Economic Progress Council to accept or approve applications for an employment growth incentive from Jan. 1, 2024 to Jan. 1, 2025.

With regard to Workers' Compensation, this act sets the rate of contribution to the Workers' Compensation Administrative Fund for direct calendar year premiums for Workers' Compensation in fiscal year 2024. This act adds a new provision that will maintain the previous year's rate of contribution to the Workers' Compensation Administrative Fund if the General Assembly fails to adopt a new rate. This act also makes permanent a provision permitting workers to obtain a 14-day extension of workers' compensation benefits upon receipt of notice of the employer's intent to discontinue the benefits.

With regard to Unemployment Insurance, this act amends the prospective repeal of an Unemployment Insurance benefit increase to correct an arithmetic error in the language.

Effective Date: Multiple effective dates beginning on January 1, 2023